

VERMONT PENSION INVESTMENT COMMITTEE
December 12, 2013

VPIC Members Present:

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016

THOMAS GOLONKA, VMERS Representative, term expiring June 30, 2016

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

DICK JOHANNESSEN, Governor's Delegate, term expiring June 30, 2014

VAUGHN ALTEMUS, Governor's Delegate, term expiring June 30, 2014

VPIC Member(s) Absent:

None

VPIC Alternate Members Present:

KAREN PAUL, *Alternate* Governor's Delegate, term expiring June 30, 2016

LINDA DELIDUKA, VSTRS *Alternate*, term expiring June 30, 2017

STEVEN JEFFREY, VMERS *Alternate*, term expiring June 30, 2014

VPIC Alternate Member(s) Absent:

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

Also attending:

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Pershing-Johnson and Bill Griffin, Attorney General's Office

Doug Moseley and Matt Ritter, NEPC LLC

Brook Kirschfield

Jeff Briggs, VSERS Board member

Monica Chiren, Clerk

CALL TO ORDER:

The Chair, Mr. Rauh, called the Tuesday, December 17, 2013 meeting to order at 8:32 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1: **Agenda Approval, Announcements, Minutes of November 26, 2013
Regular Meeting****

The Chair, Mr. Rauh, briefly reviewed the agenda. The agenda was approved as written. The Committee members briefly discussed the change to the 2014 meeting schedule. There were no announcements.

On a motion by Mr. Johannesen, seconded by Mr. Mackey, the Committee unanimously approved the minutes of the November 26, 2013, Regular Meeting, as submitted.

ITEM 2: Director of Investments Report and Action Items

- **Contract Updates, Amendments and Renewals**
- **Q3 Portfolio Performance Follow-Up Analysis**
- **Review November Flash Report**

Mr. Moseley introduced Mr. Ritter to the Committee. Mr. Kirschfield introduced himself to the Committee. Both gentlemen were welcomed to the meeting.

Mr. Considine indicated as of November 30, 2013 the total VPIC assets under management were \$3.825 billion. Mr. Considine indicated as of November 30th the VPIC's portfolio allocation was expected to remain near 33.4% equities, 32.77% fixed income, 13.6% alternatives and 20.3% multi-strategy, compared to target allocations of 31.5%, 33%, 15.5% and 20% respectively. Mr. Considine indicated an updated asset allocation table was not provided due to the fact the meeting was held earlier in the month this month.

Mr. Considine provided the Committee members with the manager updates for Wellington, Guggenheim, and HarbourVest. Mr. Considine indicated there was a downgrade by PIMCO, which was eligible for a waiver by the Director of Investments, which permission to hold had been granted.

Mr. Considine reviewed with the Committee members the renewal of the Council of Institutional Investors membership. The Committee discussed the usefulness of the membership. Staff indicated they will provide additional information relative to Council of Institutional Investors.

On a motion by Mr. Johannesen, seconded by Mr. Mackey, the Committee unanimously approved the renewal of the VPIC membership to Council of Institutional Investors.

Mr. Considine indicated they are adding additional information to the FTP site. Ms. Green indicated she will supply the FTP site information to the Committee members again.

Ms. Green reviewed with the Committee members the Q3 Portfolio Performance Follow-Up Analysis. Ms. Green responded to the inquiries as posed by the Committee members. Mr. Moseley reviewed with the Committee members the document he prepared relative to NEPC's clients and other plans and the make-up of their portfolios. The Committee discussed VPIC's portfolio and its volatility. The Chair, Mr. Rauh, indicated the Committee will take a more formal look at a 60/40 return at the February meeting.

Mr. Moseley reviewed with the Committee members the November Flash Report. NEPC responded to the questions posed by the Committee members.

ITEM 3: **Discussion Items/Updates**

- **Vermont State Treasurer's Update**
- **NEPC Investment Manager Watch List: Wellington EMD**

Ms. Pearce indicated the annual audit has been completed. Ms. Pearce indicated health care continues to be an issue. Ms. Pearce briefly touched on issues that would be coming up during this legislative session.

Mr. Moseley indicated Wellington, EMD was still on the watch list due to recent personnel changes, but indicated they were not recommending any changes at this time.

ITEM 4: **Review Real Estate Manager Candidates**

NEPC reviewed with the Committee the *Real Estate Search Discussion: Multi-Manager Funds and Debt Funds* document. Mr. Moseley reviewed with the Committee the results of their search and NEPC's recommendation. NEPC responded to the questions posed by the Committee. It was the consensus of the Committee that NEPC would invite three managers of multi-manager real estate funds to the January VPIC meeting. It was decided Franklin Resources, Partners Group and Siguler Gulf & Company would be invited to present. It was indicated real estate debt managers would be considered at a later date. Ms. Pershing-Johnson and Mr. Moseley agreed to follow-up with Oaktree.

ITEM 5: **Annual VPIC Governance Review**

- **VPIC Self-Evaluation and Governance Review**
- **Meeting Schedule and Format**
- **Approve VPIC Annual Agenda Cycle**
- **Annual Evaluation of Chair**
- **Annual Review of Key Service Providers**

(Ms. Pershing-Johnson left at this time.)

(Mr. Griffin arrived at this time.)

The Committee discussed continuing education for Committee members. It was indicated a sub-committee would be formed to explore this issue. Mr. Mackey indicated he would be happy to serve on the sub-committee and will draft someone to serve on the sub-committee with him.

The Committee discussed the meeting schedule and format. It was indicated by some Committee members that the meetings are too long and too numerous. The Committee discussed possible alternatives to address this concern.

The Committee reviewed the agenda cycle. The Chair, Mr. Rauh, indicated the review of the actuary reports would be held in November of next year.

Committee members indicated the Chair, Mr. Rauh, has done a good job. Mr. Jeffrey indicated with a Committee of this size there needed to be more structure. There was a discussion about consent agendas and different options to expedite the meetings. The Committee indicated staff continues to do a great job.

Mr. Considine indicated they are very pleased with the caliber of service with JP Morgan and that ISS is very responsive to their requests. The Chair, Mr. Rauh, indicated they might revisit Securities Lending in the future. The Committee indicated they were happy with NEPC, but indicated more educational items would be appreciated.

ITEM 6: Economic and Financial Market Dashboard

(Mr. Briggs and Mr. Griffin left the meeting.)

Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard. Mr. Considine reviewed with the Committee the charts on the economic and financial market dashboard.

ITEM 7: Public Comment/New or Other Business

None.

ITEM 8: Adjournment

On a motion by Mr. Johannesen, seconded by Ms. Pearce, the Committee unanimously agreed to adjourn the meeting at 12:20 p.m.

Respectfully submitted,

Monica Chiren, Clerk